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INFO RUCPCIM/CIMS NTDB WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
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RUCNCIS/CIS COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 1884
RUEHBUL/AMEMBASSY KABUL 0209
RUEHNE/AMEMBASSY NEW DELHI 0345
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UNCLAS SECTION 01 OF 02 ALMATY 001810

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DEPT FOR SCA/CEN MUDGE
DEPT PASS TO OPIC - BALLINGER
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER
DEPT PASS TO AID - EE-PHILLIPS/RUSHING
TREASURY FOR OASIA/VELTRI
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS
USDOC FOR 6110/ITA/TD/BI/RHALPERN
ANKARA FOR CFC

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KZ](#)

SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, APRIL 30 -
MAY 13, 2006

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¶1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been checked for accuracy. The opinions and policies expressed in this report are those of the authors, not the U.S. Government.

- GOK to Cut Budget Spending
- Possible Imbalance in the Labor Market
- KazMunayGaz Board of Directors Reshuffle
- Kazakhstan to Join Baku-Tbilisi-Ceyhan Soon
- Kazakhstan Plans to Export Gas to Europe
- Khvalynskoye, Tsentralnoe PSAs Scheduled for end 2006
- KazMunayGaz to Buy 50% of Orenburg Plant from Gazprom

GOK to Cut Budget Spending

¶2. The GOK proposed to amend the 2006 state budget by reducing planned expenditures from KZT 97 billion (approximately \$780 million) to KZT 49 billion (approximately \$394 million). In the words of Deputy Prime Minister Masimov, "this adjustment would not affect social development programs, and the budget deficit will remain at 1.4% of the GDP". This decision is part of the inflation-targeting policy announced recently by the GOK. In the future, the GOK plans to correlate its spending to GDP growth. (Interfax - Kazakhstan, May 4)

Possible Imbalance in the Labor Market

¶3. "One of the labor market's problems is an imbalance of demand and supply. The forecast for 2010 shows that by that time, Kazakhstan will undergo structural changes in the economy and the labor market. Recent developments in Europe showed that failure to respond in a timely manner to challenges in labor relations may lead to social destabilization," Kazakhstan's Labor and Social Protection Minister Karagusova stated in Almaty on April 28. "This

high priority issue has to be handled accordingly. We have to train specialists to push forward the programs for development of the Caspian shelf, industrial-innovation and transportation development," Karagusova concluded. (Interfax - Kazakhstan, May 2)

KazMunayGaz Board of Directors Reshuffle

¶4. On April 21, Prime-Minister Akhmetov signed a decree reshuffling the Board of Directors of the national oil and gas company KazMunayGaz. The new Board includes: Vice-Minister of Energy Bolat Akchulakov, Vice-Minister of Finance Askar Yelemessov, Vice-Minister of Transport Zhenis Kasymbek, Vice-Minister of Economy Marat Kusainov, and Presidential Administration Head Adilbek Dzhaksybekov, who will head the Board of Directors. Dzhaksybekov replaced Energy Vice-Minister Lyazzat Kyinov in this position. (Oil Review - Kazakhstan, April 28)

Kazakhstan to Join Baku-Tbilisi-Ceyhan Soon

¶5. "The agreement between Azerbaijan and Kazakhstan on Baku-Tbilisi-Ceyhan (BTC) will be completed in May. We will do everything possible so that our president can sign the agreement in June," Kazakhstan's Prime Minister Akhmetov said on May 6 during economic forum in Baku. According to KazMunayGaz Managing Director Kabyldin, "mainly Kashagan oil will be transported in Baku direction. The timeframe is around late 2008 - early 2009." Azerbaijani oil running via the BTC pipeline will reach a terminal in the Ceyhan port on May 27, Project Director of the Turkish section of the BTC Geksel said. A ceremony commemorating this event is scheduled for July 13. (Interfax - Kazakhstan, May 8)

Kazakhstan Intends to Export Gas to Europe

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¶6. Kazakhstan is considering supplying gas to the Baku-Erzurum gas pipeline, Prime Minister Akhmetov stated in Baku. In this regard, the GOK is looking at the possibility of constructing an Aktau-Baku gas pipeline under the Caspian Sea. "This means that Kazakhstan has an opportunity to reach European markets", the Prime Minister said. The, Baku-Erzurum gas pipeline, with a capacity of 30 billion cubic meters, will be completed in September. (Interfax - Kazakhstan, May 6)

Khvalynskoye, Tsentralnyoe PSAs Scheduled for end 2006

¶7. Production Sharing Agreements (PSAs) on Khvalynskoye and Tsentralnoye oilfields (Russian sector of North Caspian

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shelf) are to be signed in fall 2006, as reported by Lukoil Head Alekperov. Engineering work is currently being undertaken jointly with Gazprom at the Tsentralnoye oilfield for the future exploration wells. Well drilling is planned in 2007-2008. The work on PSAs is performed by Lukoil and KazMunayGaz. (Oil Review - Kazakhstan, May 3)

KazMunayGaz to Buy 50% of Orenburg Plant from Gazprom

¶8. In 2006, KazMunayGaz and Gazprom will operate the Orenburg gas processing plant (GPP) on a joint-venture basis, KMG Managing Director Meraliyev recently announced. The GPP's assets are estimated by Deloitte & Touche at \$700 million. The plant may eventually process 28 billion cubic meters of gas and 5 million tons of condensate. Karachaganak oilfield supplies 7 billion cubic meters of gas and 3.5 - 4 tons of condensate. There is also an

alternative project. Kazakhstani President Nazarbayev recently asked Lukoil, one of Karachaganak's shareholders, to consider constructing a gas processing plant at the Karachaganak field. (Oil Review - Kazakhstan, May 3)

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